 Relevant to: Paper 1.2Professional scheme The structure of this paper was identical to recent previous sittings with 25 compulsory multiple choice questions in Section A and five compulsory 10 mark questions in Section B. Section A The questions in this section came from right across the syllabus and the topics tested complemented the topics set in Section B. Each question carried two marks. There was the usual mixture of computational and descriptive questions. Questions on the following topics were least well answered: cost behaviour, break even charts, relevant costs for decision making, cost-volume-profit analysis and process costing involving work in process and equivalent units. Section B Question 1 This question tested various aspects of process costing  including normal and abnormal losses and abnormal gains. The process also involved the creation of two joint products. Part (a) required candidates to produce one process account which included the volumes and valuations of the joint products separately. Errors made by weaker candidates were: To produce more than one process account. To present an answer in the wrong format  an account was required. To show the combined output and value of the joint products. To incorrectly calculate the abnormal loss in the process. To show the normal loss as having no realisable value. Part (b) required candidates to explain how an abnormal gain arises and how it should be treated in a process account. This part was

answered well by many candidates. Question 2 This question involved cost-volume-profit analysis for a single product situation. In part (a) candidates were required to calculate the contribution per unit and the total profit for the current year from the information given. The key to doing this was to be able to apply the given contribution to sales ratio correctly to the given variable cost per unit. The calculations involved were incorrectly done by many candidates. Part (b) required candidates to calculate how many units of the product should be produced and sold in the next year to achieve a target profit given that the selling price and costs were increasing by different percentages. A very common error was to use the fixed cost per unit given and adjust this for the percentage increase in cost rather than applying it to the total fixed cost. Previous examiner ' s comments have emphasised the importance of candidates showing clear workings in their answers. This question was a classic example of one where the common error in part (a) - already referred to - did not mean that marks were automatically lost in part (b) even though it involved using the figures already calculated in part (a). As long as the workings were clearly shown in part (b), a candidate could have scored full marks in part (b) using the wrong figures brought forward from part (a). The written part of this question (c) required candidates to explain and give an example of a semi-variable cost and to explain how such a cost is dealt with in cost- volume-profit analysis. Part (c) was the best answered part of this question. Question 3 This question required the calculation of two sales variances for a company using absorption costing and an

explanation of who in the organisation would need such variance information. The last part of the question tested candidates understanding of the difference between absorption costing and marginal costing. Answers to the calculation of the two straightforward sales variances were generally very disappointing. Common errors were: To use the production figures given rather than the sales figures in calculating the sales volume variance. To calculate a sales volume turnover variance rather than the sales volume profit variance as clearly stated in the requirements to the question. To base the sales price variance on budgeted sales (or even production) rather than on actual sales units. To fail to indicate clearly whether the variances calculated were adverse or favourable. In part (b) candidates often wrote at length about the possible causes of the variances calculated in part (a) which was not required and gained no credit. Part (b) was about identifying who in the organisation should have the sales variances reported to them and why. A surprisingly large number of candidates did not specifically mention the sales or marketing managers at all in their answers. Part (c) required candidates to calculate the budgeted profit under absorption costing and the equivalent figure if marginal costing had been in use. Many candidates produced unnecessarily elaborate answers. For example, full trading statements were not necessary to arrive at the profits. A very common error was to produce actual profits the requirement to the question had the requirement for BUDGETED profit in capitals. Question 4 Most candidates found this question on the economic order quantity (EOQ) concept the

easiest on the paper. In part (a) the EOQ for two different years needed to be calculated. Errors that arose involved misreading the question (the cost of placing an order rose by pound.11) and incorrect substitutions into the formula that was given on the examination paper. Part (b) caused a lot more problems to candidates it involved the calculation of the extra cost of ordering and holding stock between one year and the next. A significant number of candidates had little idea about how to calculate the annual costs involved even though they had correctly calculated the EOQ in part (a). The short descriptive part (c) was well answered by most candidates. In line with the marks, quite brief answers were expected as candidates only needed to " identify " major holding and ordering costs. Some candidates wasted time by writing at length about these costs. Question 5 The last question on the paper involved scarce resources for two periods. In the first period there was a single scarce resource and in the second two scarce resources. Therefore a linear programming approach was only required in part (b) for the second period. Common errors made by candidates were: To try and use linear programming in part (a) instead of calculating the contribution per unit of limiting factor for each product. To ignore the requirement in both parts (a) and (b) to calculate the resultant total contribution for the optimal production plans. To base the optimal plan in part (a) on the product with the highest contribution per unit. To ignore the information given in the question that the optimal plan in the second period involved a combination of both products. To muddle up values and units in the

same constraint in part (b). It was surprising to find a significant number of candidates performing better in part (b) than in part (a) of this question. 